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SOUTHEAST ASIA

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2. Indonesia threatens action in New Guinea:

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In expressing dissatisfaction over the "subversive activities" of Dutch nationals in Indonesia, the Indonesian foreign minister told the American ambassador on 8 January

that Dutch intransigence regarding New Guinea was such that Indonesia might have to solve the problem unilaterally. He added that Indonesia might also be forced to abrogate the union with the Netherlands.

Comment: Indonesian officials have frequently complained of official or unofficial Dutch encouragement of dissident elements in Indonesia. There is no prospect of the Netherlands yielding its claim to New Guinea, but Dutch officials are resigned to the abrogation of the union with Indonesia.

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NEAR EAST - AFRICA

3. Ambassador Caffery outlines probable course of Egyptian neutralism:

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Ambassador Caffery believes that Egypt's "new foreign policy," in the event that negotiations with Britain fail, may include expanded trade with the Orbit and early recognition of Communist China, East Germany and Albania.

Caffery expects that Egypt will try to assume "spiritual leadership" of African nationalism and to consolidate its position in the Arab world in order to undermine Western interests in the area. He says there will be organized harassment against British troops in the canal zone, but no suicidal attacks.

Caffery concludes that "it is anyone's guess" how much of the above policy will be implemented.

WESTERN EUROPE

4. American embassy in Paris comments on French Indochina policy:

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The American embassy in Paris expects the outcome of the current military campaign to determine future French policy in Indochina and the end of the present fighting season to bring an over-all review of France's position.

The embassy believes that if the military situation remains the same for three to six months, political pressure for a negotiated settlement will increase. The embassy feels, however, that "until some additional important development occurred to precipitate a decision," no parliamentary majority could face the consequences of negotiations with the Viet Minh and the present situation would continue.

Should Navarre regain the initiative, political and public pressure for negotiations would be reduced in direct proportion to the extent of French victories. If the Viet Minh obtains significant military successes, France may be expected to seek Allied troop reinforcement as an alternative to negotiations which might appear as a Viet Minh victory.

